

**NILES DISTRICT LIBRARY**

**NILES, MICHIGAN**

**FINANCIAL STATEMENTS**

**Year ended September 30, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Niles District Library	County Berrien
Fiscal Year End September 30, 2007	Opinion Date December 11, 2007	Date Audit Report Submitted to State February 19, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

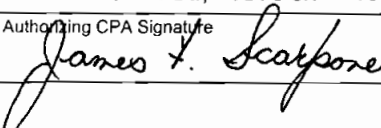
YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Verbal in meeting with Board	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Scarpone & Co., P.C.		Telephone Number 269-684-5100	
Street Address 20 N. Second St., P.O. Box 1146		City Niles	State Mi
		Zip 49120	
Authorizing CPA Signature 		Printed Name James F. Scarpone	License Number 11507

**NILES DISTRICT LIBRARY**

**NILES, MICHIGAN**

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**NILES DISTRICT LIBRARY**  
**NILES, MICHIGAN**

**BOARD OF TRUSTEES**

<b>Gloria Cooper</b>	<b>-</b>	<b>President</b>
<b>Sally Ginter</b>	<b>-</b>	<b>Vice-President</b>
<b>William Landgraf</b>	<b>-</b>	<b>Secretary</b>
<b>Katrina Andrews</b>	<b>-</b>	<b>Treasurer</b>
<b>Nancy McCreedy</b>	<b>-</b>	<b>Trustee</b>
<b>Mary Bryant</b>	<b>-</b>	<b>Trustee</b>
<b>Terry Merica</b>	<b>-</b>	<b>Trustee</b>



December 11, 2007

Members of the Library Board of Trustees  
Niles District Library  
Niles, Michigan

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Niles District Library as of and for the year ended September 30, 2007, as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Niles District Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Niles District Library as of September 30, 2007, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying other supplemental information, as listed in the foregoing table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of Niles District Library. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Scarpone & Co., P.C.*

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## **NILES DISTRICT LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2007**

#### **Mission and Organizational Structure**

The Library's mission is to provide our community with access and guidance to resources which inform, entertain and enrich. The Library is governed by an eight member Board of Trustees. Four trustees are appointed by the City of Niles and four by the Township of Niles. The Board has exclusive control over the expenditure of all moneys collected to the credit of the Library fund. The Library Director handles the day-to-day management of the Library, including financial transactions, at the discretion of and under the direction of the Library Board.

#### **Overall Financial Position**

The financial statements indicate that the Library has cash assets of \$571,669 and \$650,020 in certificates of deposit, for a total of \$1,221,689 in assets at the close of the fiscal year, compared to \$1,212,644 at the close of the previous fiscal year. Revenues for the fiscal year exceeded expenditures by \$9,924. The Library's reserve cash assets and investments are adequate to assure the financial stability of the Library.

#### **Operating Fund Budget vs. Actual**

Actual expenditures and revenues in the operating fund were close to the amounts projected in the annual budget. Expenditures were slightly lower, and revenues slightly higher than projected.

	<u>Budgeted</u>	<u>Actual</u>	<u>Percent of Difference</u>
Expenditures	\$ 1,214,490	\$ 1,176,193	(3)%
Revenues	1,114,869	1,128,560	1 %

#### **Influencing Factors**

The Library made significant efforts to minimize expenses during fiscal year 2007, most notably there was a 7.5% reduction in man-hours in the adult services department. This change represents about a \$12,000 reduction in personnel costs.

In January, 2007 the Library renegotiated one of our copier maintenance contracts, resulting in an annual savings of \$1,252 with no change in services.

In June, 2007 the Library switched five of its seven phone lines to VOIP, resulting in an anticipated savings of approximately \$3,500 annually in telephone related costs.

## **NILES DISTRICT LIBRARY**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS-CONCLUDED**

**September 30, 2007**

#### **Revenues**

The Library's primary revenue sources continue to be real property tax and penal fines. In fiscal year 2007 these two sources accounted for 82% of the Library's revenues. Real property tax revenues increased a healthy 5% while penal fines decreased 5% from fiscal year 2006.

Overall revenues from all sources in fiscal year 2007 were 4% higher than fiscal year 2006. Some revenues received in the fiscal year were unusual and should not be anticipated in coming years. The Wood Foundation awarded the Library \$19,500 and the Hunter Foundation made a \$7,000 donation to the Library.

The Niles Daily Star made monthly donations to the Library to support "Gloria's Place." The total donation for the year came to just under \$4,000. These donations are expected to continue into fiscal year 2008.

#### **Expenditures**

Personnel expenses continue to account for the largest portion of the Library's budget. In fiscal year 2007 wages and benefits accounted for 59% of the Library's expenses. A reduction in the Library's workforce resulted in a 2% decrease in personnel expenses from fiscal year 2006.

New carpet was installed in most of the Library. The cost for this improvement was just under \$45,000. Slip covers for ten chairs were purchased.

Grant funds were used to purchase new computers, a digital microfilm reader, a copier, equipment for pod casting, and an LCD projector.

Expenditures on materials to support the Library's core service of providing books to patrons increased about 1%. The Library spent approximately \$124,000 on Library materials compared to \$123,000 last year. There was a slight decrease in the Library materials line item budget; however, almost all the expenditures from the gift and memorial line item went towards the purchase of materials.

#### **Debt**

The Library continues to make twice annual payments on a 1998 Building Authority Bond, which is scheduled to be repaid by the year 2018. The Library has no other significant outstanding debt.

#### **Contacting the Library's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances. If you have any questions about this report or need additional information you may contact the Library Director, Nancy Studebaker.

**NILES DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**AND**  
**STATEMENT OF NET ASSETS**

September 30, 2007

	<u>Operating Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments (Note J)</u>	<u>Statement of Net Assets</u>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 442,895	\$ 128,774	\$ 571,669	\$ -	\$ 571,669
Investments	327,116	322,904	650,020	-	650,020
Interest receivable	4,855	7,060	11,915	-	11,915
Taxes receivable	2,129	-	2,129	-	2,129
Capital assets, net of accumulated depreciation	-	-	-	1,777,826	1,777,826
<b>TOTAL ASSETS</b>	<b>\$ 776,995</b>	<b>\$ 458,738</b>	<b>\$ 1,235,733</b>	<b>\$ 1,777,826</b>	<b>\$ 3,013,559</b>
<b><u>LIABILITIES</u></b>					
Accrued payroll, taxes and withholdings	\$ 25,662	\$ -	\$ 25,662	\$ -	\$ 25,662
Accrued interest	-	-	-	10,616	10,616
Long-term liabilities:					
Bonds payable	-	-	-	445,000	445,000
Accumulated employee benefits	-	-	-	11,832	11,832
	<u>25,662</u>	<u>-</u>	<u>25,662</u>	<u>467,448</u>	<u>493,110</u>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances, reserved, reported in					
Reserve fund	-	230,377	230,377	(230,377)	-
Legacy fund	-	5,176	5,176	(5,176)	-
Capital projects	-	223,185	223,185	(223,185)	-
Fund balances, unreserved	<u>751,333</u>	<u>-</u>	<u>751,333</u>	<u>(751,333)</u>	<u>-</u>
	<u>751,333</u>	<u>458,738</u>	<u>1,210,071</u>	<u>(1,210,071)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 776,995</b>	<b>\$ 458,738</b>	<b>\$ 1,235,733</b>		
<b>Net Assets</b>					
Invested in capital assets					1,322,210
Restricted					458,738
Unrestricted					739,501
<b>TOTAL NET ASSETS</b>					<b>\$ 2,520,449</b>

See accompanying notes to basic financial statements.



**NILES DISTRICT LIBRARY**

**GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES**

For the year ended September 30, 2007

	<u>Operating Fund</u>	<u>Other Funds</u>	<u>Total</u>	<u>Adjustments (Note J)</u>	<u>Statement of Activities</u>
<b>REVENUES:</b>					
Local taxes	\$ 735,921	\$ -	\$ 735,921	\$ -	\$ 735,921
Penal fines	237,572	-	237,572	-	237,572
State-shared revenues	46,105	-	46,105	-	46,105
Interest and dividends	29,905	20,581	50,486	-	50,486
Charges for services	21,506	-	21,506	-	21,506
Contributions and gifts	13,538	-	13,538	-	13,538
Copier revenues	12,357	-	12,357	-	12,357
Frazee Trust	-	36,976	36,976	-	36,976
Grant income	26,640	-	26,640	-	26,640
Community room	1,082	-	1,082	-	1,082
Miscellaneous	3,934	-	3,934	-	3,934
<b>Total Revenues</b>	<b>1,128,560</b>	<b>57,557</b>	<b>1,186,117</b>	<b>-</b>	<b>1,186,117</b>
<b>EXPENDITURES:</b>					
Salaries	540,588	-	540,588	(3,673)	536,915
Payroll taxes and employee benefits	156,523	-	156,523	-	156,523
Professional fees	15,478	-	15,478	-	15,478
Building maintenance	56,616	-	56,616	-	56,616
Repairs and maintenance	19,907	-	19,907	-	19,907
Library materials	117,616	-	117,616	-	117,616
Supplies	19,806	-	19,806	-	19,806
Utilities	50,037	-	50,037	-	50,037
Communications	6,375	-	6,375	-	6,375
Postage	3,198	-	3,198	-	3,198
Programming	12,390	-	12,390	-	12,390
Refunds	3,092	-	3,092	-	3,092
Staff development	4,896	-	4,896	-	4,896
Copy machine rental and supplies	7,442	-	7,442	-	7,442
Insurance	17,456	-	17,456	-	17,456
Capital outlay	53,891	-	53,891	(44,043)	9,848
Bond processing and handling fees	300	-	300	-	300
Debt service	52,658	-	52,658	(30,713)	21,945
Miscellaneous	6,972	-	6,972	-	6,972
Grant expenditures	27,000	-	27,000	(17,365)	9,635
Gift and memorial expenditures	3,952	-	3,952	-	3,952
Depreciation	-	-	-	69,500	69,500
<b>Total Expenditures</b>	<b>1,176,193</b>	<b>-</b>	<b>1,176,193</b>	<b>(26,294)</b>	<b>1,149,899</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(47,633)</b>	<b>57,557</b>	<b>9,924</b>	<b>26,294</b>	<b>36,218</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In (Out)	36,976	(36,976)	-		
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(10,657)</b>	<b>20,581</b>	<b>9,924</b>		
<b>Change in Net Assets</b>					<b>36,218</b>
<b>FUND BALANCES/NET ASSETS</b>					
Beginning of Year	761,990	438,157	1,200,147	1,284,084	2,484,231
End of Year	\$ 751,333	\$ 458,738	\$ 1,210,071	\$ 1,310,378	\$ 2,520,449

See accompanying notes to basic financial statements.

# **NILES DISTRICT LIBRARY**

## **NOTES TO FINANCIAL STATEMENTS**

**For the year ended September 30, 2007**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of Niles District Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

#### **REPORTING ENTITY:**

The Library's reporting entity includes all activities related to the operation of the Niles District Library. The Library receives funding from local and state government sources and must comply with the requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined by the GASB pronouncement. In addition, there are no component units as defined by GASB which are included in the Library's reporting entity.

#### **BASIS OF PRESENTATION:**

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The Governmental Funds Balance Sheet and Statement of Net Assets and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and Statement of Activities combines information about the reporting government as a whole and funds statements to report its financial position and the results of its operations.

The Operating Fund is the only major individual governmental fund. For fund financial statements, the accounts of the Library are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise each fund's assets, liabilities, fund balances, revenues and expenditures. The following is a description of the funds included in the accompanying basic financial statements:

**Operating Fund** - The Operating Fund accounts for revenues and expenditures of the Library not required to be accounted for in other funds.

**Reserve Fund** - The Reserve Fund accounts for the accumulation of resources related to ensuring uninterrupted Library service.

**Legacy Fund** - The Legacy Fund accounts for the revenues and expenditures related to particular functions or activities of the Library, including income from the Frazee Trust Fund Endowment.

## **NILES DISTRICT LIBRARY**

### **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**For the year ended September 30, 2007**

#### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:**

**Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.**

**Capital Projects Fund - The Capital Projects Fund accounts for the financial resources to be used for the acquisition of major capital expenditures.**

#### **BASIS OF ACCOUNTING:**

**The government-wide statements (the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements (the Governmental Funds Balance Sheet and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances) are prepared using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.**

#### **BUDGETS AND BUDGETARY ACCOUNTING:**

**The Library Director prepares the annual budget which is adopted by the Library Board of Trustees. Budget amendments are required to be approved by the Library Board of Trustees. Unexpended budget appropriations lapse at year end. The budget is adopted on the basis of accounting described above. There were no significant budget overruns during the year ended September 30, 2007.**

#### **CASH AND CASH EQUIVALENTS AND INVESTMENTS:**

**Pursuant to Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), the Library may invest funds in the following types of investments:**

**Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.**

**Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution which are insured and which meet all criteria as depository of public funds.**

**Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing no more than 270 days after date of purchase.**

**United States government or federal agency obligation repurchase agreements.**

**Bankers' acceptances of United States banks.**

**NILES DISTRICT LIBRARY**

**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**For the year ended September 30, 2007**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED:**

**CASH AND CASH EQUIVALENTS AND INVESTMENTS - CONCLUDED:**

**Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.**

**Investment pools organized under the surplus funds investment pool act, 1982, PA 367, 129.111 to 129.118.**

**Mutual funds registered under the investment company act of 1940, title I of chapter 686.**

**Cash and cash equivalents are recorded at cost and include cash investments with an original maturity of three months or less.**

**CAPITAL ASSETS:**

**The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.**

**Government-wide Statements**

**In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.**

**Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:**

<b>Leasehold improvements</b>	<b>50 years</b>
<b>Furniture and equipment</b>	<b>10-15 years</b>
<b>Computer equipment</b>	<b>5 years</b>

**The minimum capitalization threshold is any item with a total cost greater than \$2,500.**

**Fund Financial Statements**

**In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.**

# **NILES DISTRICT LIBRARY**

## **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**For the year ended September 30, 2007**

### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONCLUDED:**

#### **COMPENSATED ABSENCES:**

It is the Library's policy to permit employees to accumulate earned but unused sick pay (to a maximum of 1,000 hours) and vacation pay benefits (to a maximum of 75 hours). There is no accrued liability for unpaid accumulated sick leave since the Library's policy does not allow for the payment of any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements.

#### **PROPERTY TAXES:**

Property taxes are levied for Library operating purposes against properties within the Library's service area at a rate of 1.4842 mills.

#### **ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **FUND BALANCES:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans and are subject to change.

### **NOTE B - CASH AND CASH EQUIVALENTS:**

Cash and cash equivalents consisted of the following at September 30, 2007:

Petty cash	\$	100
Deposits in financial institutions		571,569
	\$	<u>571,669</u>

The above deposits in financial institutions of \$571,569, were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$592,342. Of that amount, approximately \$187,346 was covered by federal depository insurance coverage, approximately \$70,326 was held in a local units of government trust account, \$250,000 was covered by private depository insurance coverage, and \$84,670 was uninsured and uncollateralized.

# NILES DISTRICT LIBRARY

## NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED

For the year ended September 30, 2007

### NOTE C - INVESTMENTS:

Investments at September 30, 2007 consisted of certificates of deposit in financial institutions of \$650,020. Of this amount, approximately \$353,314 was covered by federal depository insurance coverage and approximately \$296,706 was uninsured and uncollateralized.

### NOTE D - CAPITAL ASSETS:

Capital asset activity for the Library's Governmental activities for the year ended September 30, 2007 was as follows:

	Balance September 30, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2007</u>
<b>Capital assets being depreciated:</b>				
Leasehold improvements	\$ 1,979,981	\$ 44,043	\$ -	\$ 2,024,024
Furniture and equipment	198,712	-	-	198,712
Computer equipment	113,267	17,365	-	130,632
	2,291,960	61,408	-	2,353,368
<b>Accumulated depreciation:</b>				
Leasehold improvements	330,717	45,892	-	376,609
Furniture and equipment	77,522	13,765	-	91,287
Computer equipment	97,803	12,989	-	110,792
	506,042	72,646	-	578,688
<b>Net capital assets</b>	<b>\$ 1,785,918</b>	<b>\$ (11,238)</b>	<b>\$ -</b>	<b>\$ 1,774,680</b>

### NOTE E - LONG-TERM DEBT:

General long-term debt consisted of the following at September 30, 2007:

4.75% - 4.80% 1998 Building Authority Bonds, with annual payments of \$30,000 to \$50,000 and semi-annual interest payments, final maturity April, 2018.	\$ 445,000
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The principal reductions of general long-term debt for the years ending September 30th, are as follows:

<u>Year Ended</u>	<u>Amount Due</u>
2008	\$ 30,000
2009	35,000
2010	35,000
2011	35,000
2012	40,000
Thereafter	270,000
Total	\$ 445,000

# **NILES DISTRICT LIBRARY**

## **NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**

**For the year ended September 30, 2007**

### **NOTE E - LONG-TERM DEBT - CONCLUDED:**

The following is a summary of the changes in general long-term debt for the year ended September 30, 2007:

	Balance September 30, 2006	Additions	Deductions	Balance September 30, 2007
Bonds payable	\$ 475,000	\$ -	\$ 30,000	\$ 445,000

### **NOTE F - FRAZEE TRUST FUND ENDOWMENT:**

The Library is the sole income beneficiary of the Carl H. and Faye W. Frazee Niles Community Library Foundation Trust established in 1990. Wells Fargo Bank Indiana, N.A. is the Trustee of the Foundation, and manages the income and distributions of the endowment. The Foundation requires all income from the endowment to be distributed to the Legacy Fund of the Library. Distributions to the Library amounted to \$36,976 for the year ended September 30, 2007.

### **NOTE G - PENSION PLAN:**

The Library has a defined benefit pension plan which provides retirement benefits to employees meeting eligibility requirements. The Library's defined benefit plan for its employees is administered through the Municipal Employees' Retirement System of Michigan (MERS). MERS is a statewide retirement plan that municipalities may adopt for their employees. Public Act 220 of 1996 of the State of Michigan provided MERS with the power to establish and amend the benefit provisions to Niles District Library.

MERS members shall contribute an amount varying from 0.00 percent to 10.0 percent of compensation, depending upon which contribution plan is selected. The Library is required to contribute at an actuarially determined rate, which is currently 4.63% of reported wages. For the year ended September 30, 2007, the contributions to the plan totaled \$20,160.

### **NOTE H - ACCUMULATED EMPLOYEE BENEFITS:**

Accumulated employee benefits represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's policy, employees earn vacation time based on time of service with the Library. The estimated liability as of September 30, 2007 is estimated to approximate \$11,832.

### **NOTE I - RISK MANAGEMENT:**

The Library is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; and natural disasters. The Library maintains commercial insurance to insure potential significant losses. There have been no significant reductions in insurance coverage by the Library for the year ended September 30, 2007.

# NILES DISTRICT LIBRARY

## NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS - CONCLUDED

For the year ended September 30, 2007

### NOTE J - ADJUSTMENTS:

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet due to the following adjustments:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	\$ 1,777,826
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(10,616)
Long-term liabilities are not due and payable in the current period and are therefore not reported in the governmental funds:	
Bonds Payable	(445,000)
Accrued Employee Benefits	(11,832)
	\$ _ 1,310,378

Amounts reported for governmental activities on the Statement of Activities are different from the Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year:

Depreciation	\$ (69,500)	
Capital outlay-over threshold	_ 61,408	\$ (8,092)

Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the governmental funds, but the accrual is a liability on the statement of net assets.	713
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	30,000
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Accrual for long-term employee benefits reported as an expenditure in the Statement of Activities, but not in the fund statements.	3,673
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\$ 26,294



**REQUIRED SUPPLEMENTARY INFORMATION**

# NILES DISTRICT LIBRARY

## REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE

### OPERATING FUND

For the year ended September 30, 2007

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>REVENUES:</b>				
Local taxes	\$ 707,000	\$ 725,000	\$ 735,921	\$ 10,921
Penal fines	245,000	245,000	237,572	(7,428)
State-shared revenues	43,897	43,897	46,105	2,208
Interest and dividends	17,300	20,300	29,905	9,605
Charges for services	20,000	20,000	21,506	1,506
Contributions and gifts	7,000	17,472	13,538	(3,934)
Copier revenues	12,000	12,000	12,357	357
Grant income	-	27,000	26,640	(360)
Community room	1,200	1,200	1,082	(118)
Miscellaneous	1,000	3,000	3,934	934
	<u>1,054,397</u>	<u>1,114,869</u>	<u>1,128,560</u>	<u>13,691</u>
<b>EXPENDITURES:</b>				
Salaries	539,717	542,217	540,588	1,629
Payroll taxes and employee benefits	157,172	157,365	156,523	842
Professional fees	25,000	28,000	15,478	12,522
Building maintenance	59,700	59,700	56,616	3,084
Repairs and maintenance	21,300	21,300	19,907	1,393
Library materials	120,000	122,000	117,616	4,384
Supplies	14,500	14,500	19,806	(5,306)
Utilities	59,000	57,000	50,037	6,963
Communications	10,300	10,300	6,375	3,925
Postage	4,000	4,000	3,198	802
Programming	14,100	14,100	12,390	1,710
Refunds	8,500	8,500	3,092	5,408
Staff development	7,500	7,500	4,896	2,604
Copy machine rental and supplies	7,500	6,800	7,442	(642)
Insurance	18,000	18,000	17,456	544
Capital outlay	4,250	48,350	53,891	(5,541)
Debt service	52,658	52,658	52,958	(300)
Grant expenses	-	27,000	27,000	-
Gift and memorial expenditures	4,000	4,000	3,952	48
Miscellaneous	11,200	11,200	6,972	4,228
	<u>1,138,397</u>	<u>1,214,490</u>	<u>1,176,193</u>	<u>38,297</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(84,000)</b>	<b>(99,621)</b>	<b>(47,633)</b>	<b>51,988</b>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in	<u>36,000</u>	<u>80,100</u>	<u>36,976</u>	<u>(43,124)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(48,000)</b>	<b>(19,521)</b>	<b>(10,657)</b>	<b>8,864</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>761,990</b>	<b>761,990</b>	<b>761,990</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 713,990</b>	<b>\$ 742,469</b>	<b>\$ 751,333</b>	<b>\$ 8,864</b>

See accompanying notes to basic financial statements.

**OTHER SUPPLEMENTAL INFORMATION**

**NILES DISTRICT LIBRARY**  
**COMBINING BALANCE SHEETS**

**OTHER FUNDS**

**September 30, 2007**

	<b><u>Reserve</u></b> <b><u>Fund</u></b>	<b><u>Legacy</u></b> <b><u>Fund</u></b>	<b><u>Capital</u></b> <b><u>Projects</u></b>	<b><u>Total</u></b>
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 62,897	\$ 5,176	\$ 60,701	\$ 128,774
Investments	165,490	-	157,414	322,904
Interest receivable	1,990	-	5,070	7,060
<b>TOTAL ASSETS</b>	<b>\$ 230,377</b>	<b>\$ 5,176</b>	<b>\$ 223,185</b>	<b>\$ 458,738</b>
 <b><u>FUND BALANCES</u></b>				
Fund Balances, reserved	\$ 230,377	\$ 5,176	\$ 223,185	\$ 458,738
<b>FUND BALANCES</b>	<b>\$ 230,377</b>	<b>\$ 5,176</b>	<b>\$ 223,185</b>	<b>\$ 458,738</b>

See accompanying notes to basic financial statements.

# NILES DISTRICT LIBRARY

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### OTHER FUNDS

For the year ended September 30, 2007

	<u>Reserve</u> <u>Fund</u>	<u>Legacy</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u>
<b>REVENUES:</b>				
Interest and dividends	\$ 11,031	\$ 34	\$ 9,516	\$ 20,581
Frazee Trust	-	36,976	-	36,976
	11,031	37,010	9,516	57,557
<b>EXPENDITURES:</b>				
Miscellaneous	-	-	-	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>11,031</b>	<b>37,010</b>	<b>9,516</b>	<b>57,557</b>
<b>OTHER FINANCING USES:</b>				
Operating transfers out	-	(36,976)	-	(36,976)
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>11,031</b>	<b>34</b>	<b>9,516</b>	<b>20,581</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>219,346</b>	<b>5,142</b>	<b>213,669</b>	<b>438,157</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 230,377</b>	<b>\$ 5,176</b>	<b>\$ 223,185</b>	<b>\$ 458,738</b>

See accompanying notes to basic financial statements.

**NILES DISTRICT LIBRARY**

**1998 BUILDING AUTHORITY BONDS**

**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS**

**For the year ended September 30, 2007**

<u>Year Ending September 30,</u>	<u>Principal April 1</u>	<u>Interest Requirements</u>		<u>Total Interest</u>	<u>Total Requirements</u>
		<u>April 1</u>	<u>October 1</u>		
2008	\$ 30,000	\$ 10,616	\$ 10,616	\$ 21,232	\$ 51,232
2009	35,000	9,904	9,904	19,808	54,808
2010	35,000	9,073	9,072	18,145	53,145
2011	35,000	8,241	8,241	16,482	51,482
2012	40,000	7,410	7,410	14,820	54,820
2013	40,000	6,460	6,460	12,920	52,920
2014	40,000	5,510	5,510	11,020	51,020
2015	45,000	4,560	4,560	9,120	54,120
2016	45,000	3,480	3,480	6,960	51,960
2017	50,000	2,400	2,400	4,800	54,800
2018	50,000	1,200	1,200	2,400	52,400
	<u>\$ 445,000</u>	<u>\$ 68,854</u>	<u>\$ 68,853</u>	<u>\$ 137,707</u>	<u>\$ 582,707</u>

See accompanying notes to basic financial statements.